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MATCHING STORE TYPES TO MARKET NEEDS TO BETTER SERVE THE CONSUMER

by
Stephen C. Goff
Market Research and Planning Manager
Nash Finch Company
Minneapolis, Minnesota

Failure to recognize the role of the consumer has led to a number of market disasters. Stresses that a store image preselects its customers.

You know I'm going to challenge you with a lot of information today, but none of it will work for you unless you try it and use it. Site location is a fun and important part of research. Let's explore a couple of concepts first:

WHAT ARE THE TYPES OF RETAIL FOOD STORES WE HAVE IN OUR ARSENAL FOR FOOD DISTRIBUTION TO SERVE THE CONSUMER?

Large Prototypes

Hypermarche (European)
Family Centers
Combination Stores
Supermarkets
Super Stores
Warehouse Food Stores

Small Prototypes

Convenience Store
Food Specialty Shops
Limited Assortment Stores

Overstores:

We hear the word overstored a lot in the retail site location field. Overstored is relative to many definitions. What is overstored city to one firm

could be understored for another. Then again it depends on the type of store we are talking about. Convenience stores in their site location ignore the location of supermarkets. Warehouse Food Markets in their site location ignore the location of convenience stores and supermarkets.

The type of store determines type of analysis:

Convenience Store
Specialty Store
Hypermarket
Wholesale Grocery

(Are All Valid Concepts)

Every firm develops its proven prototypes and style or if you want to get fancy-marketing mix.

Firms, in their minds or on paper or both, have developed models (consumer acceptance and behavior models and the type of store combination of services, product, and departments to serve the consumer.)

In chatting with my friend Bill Applebaum, whom I consider the Father of Site Location, Bill mentioned he thought to cover the subject "Matching Store Types to Market Needs to Better Serve the Consumer" we should take a 3 hour time period. This morning we're

going to take 1/6 of that time. So let's get going.

Today there seems to be a polarization of success in prototype stores into two areas: mass merchandisers and small store prototypes like convenience stores, specialty food stores, and limited assortment stores. The mass merchandise stores include hypermarche, family centers, combination stores, jumbo supermarkets and food warehouses.

Each one of these successful working prototype stores including the conventional supermarket appeal to different segments of the population by satisfying different sets of consumers' wants and needs.

Retail firms today have this great choice of types to choose from in their arsenal of tools, in selection of store type. Considerations in order to make a selection of store type must be feasible for the corporation and must consider competition and of course the consumer. Alert managements today are working to understand and serve consumers.

Things are happening quickly today. The Institutional Life Cycle of Retail Firms has sped up. From department stores which took 100 years to reach their maturity, we now have catalogue showrooms which are estimated to reach maturity in 10 years. (See Exhibit A.)

The retail environment is constantly changing and retailers must use new and proven research techniques to survive these changes. To select a marketing strategy and store type a retailer today should know his store and what kind of customer it serves. Retail stores act as filters, attracting and serving some customers, while others are not attracted or may browse without

buying. One key to success today is store loyalty. Marketing research provides the means of learning what kind of filter a store performs and what kind of market segment it serves.

If a retailer knows this, he can properly select location type and other physical aspects. He can also select merchandising aspects and operating strategies.

A General Foods study of the food industry recently revealed something for us we already knew...location and store type planning may be more important to the profitability of a business than good execution and control. Market needs and consumer needs are related. What kind of store type can match market and consumer needs is a valid problem for food distributors.

We have come a long way in site location research through the guidance of leaders that some of you know and one of whom you met yesterday--Bill Applebaum.

Bill Applebaum's contributions and books on site location have coined and guided our industry.

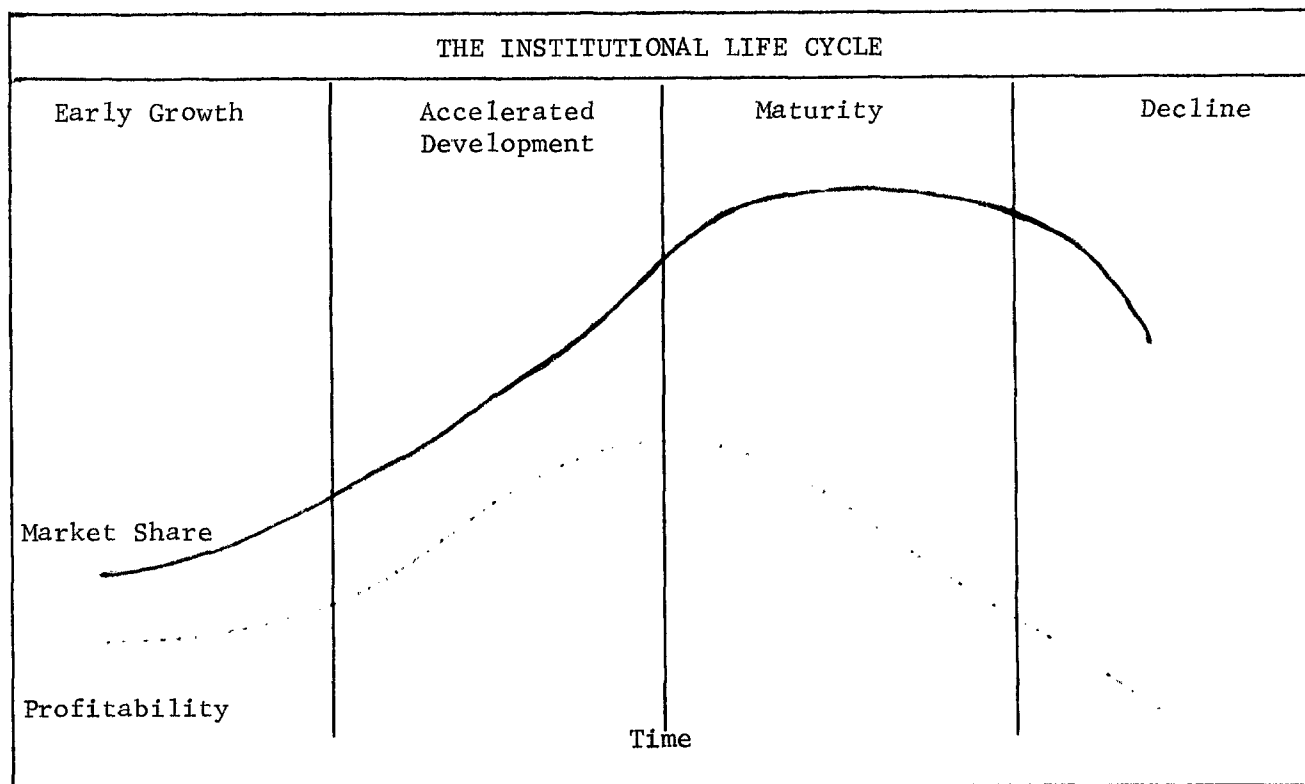
Charles Hardy, USDA Agricultural Economist, in February 1975 relates to us that his survey work shows that consumers are satisfied with the food products purchased for their households, but only 70% of today's shoppers are satisfied with the food stores they now shop most.

- Price is an obvious source of dissatisfaction.

- Also, availability and reliability of product and shopping information are cited.

What are we going to do about that?

Exhibit A. The Concept of the Institutional Life Cycle: Acceleration of New Retailing Innovations.



Retailing Institution	Time Period Required to Reach Maturity	Years Required to Reach Maturity
Department Store	1860-1960	100
Variety Store	1900-1950	50
Supermarket	1935-1965	30
Discount Department Store	1955-1975	20
Fast Food Service Outlet	1960-1975	15
Home Improvement Center	1970-1980	10
Home Furnishings Warehouse	1970-1980	10
Catalog Showroom	1970-1980	10

Source: Management Horizons Incorporated, Columbus, Ohio

Failure to appreciate the central role of the consumer has led to a number of marketing disasters. Some of our stores need image freshening. Some need new positioning in the food industry. Some are not serving the consumer properly. If we start with the premise that a store image preselects its customers, then if we can determine what consumers want in a market and what need gaps exist in the market, we can better determine which of our store prototypes would best fit the market. This gets us into a heavy subject of consumer behavior.

I. Why do consumers shop retail food stores?

Forces of Influence:

Internal

Learning	Television Com-
Personality	mercials
Perception	Service
Attitudes	Quality
Preferences	Price
Motivation	Image of Store
Technological	Image of Company
Innovations	

External

Culture
Social Forces
Economics
Marketing

Many things enter into the process.

People's motives for shopping are a function of many variables. Customers shop in stores which carry the merchandise selections most appealing to them, displayed in a manner that fits their concept of a comfortable place to shop, in stores in which the attitude and language of the sales personnel seem fitting to them and whose advertising

communicates to them that this is their kind of store.

II. Why do people shop?

Personal Motives

Role Playing
Diversion
Self-Gratification
Learning about New Trends
Physical Activity
Sensory Stimulation

Social Motives

Social Experience Outside the Home
Communications with Others Having
a Similar Interest
Peer Groups Attraction
Status and Authority
Pleasure of Bargaining

Impulse Shopping

Rational Patronage Motives

Convenience of Location
Variety of Assortment
Quality of Goods
Range of Services Offered
Attractive Furnishings and Display
Price in Relation (value)
Courtesy and Helpfulness of Sales
Personnel

Emotional Patronage Motives

Sociability
Individuality
Pride

The customer will go where he can get the products and services he wants most conveniently and at the lowest cost available for the quality of goods he wants.

People may choose a store because they are apt to run into friends there,

because they think buying there may enhance their prestige or because they are following the lead of some admired person they wish to emulate.

Choice of a store may be influenced by how the customer sees his position in the social structure or his social class. Some shoppers "would not be caught dead" in a discount store and others feel uncomfortable in plush surroundings. Ego considerations are again emphasized in a consumer's choice of stores.

Exhibit B illustrates Engel's Store-Choice Processes. In general the determinants are: location, depth and breadth of assortment, price, advertising and word-of-mouth communications, sales promotion, store personnel, services, physical attributes, store clientele.

It is important today to do the traditional site location research such as:

- Economic Climate
- Population--Demographics--Density
- Zoning
- Traffic Flow
- Highway Plans
- Natural Barriers and Man-made Barriers
- Competition--Size, Depth, Strategies
- Commercial Center Locations and Planned Expansion
- Visibility

It is also important to collect profiles of image competition and determine gaps in consumer needs.

Store Images

Store image is a complex of meanings and relationships serving to characterize the store for people.

There are many ways to measure store image. At the Nash Finch Company, the most widely used method we have chosen is Semantic Differential. (See Exhibit C.)

Other recognized methods include:

- Staple Scale
- Guttman Scale
- Customer Prototypes
- Q-Sort
- Projective Techniques

No one firm can cater to all segments of the market simultaneously and be fully successful. In a competitive market system, the firms that understand the characteristics of their markets and try to satisfy the particular needs and wants prevailing in these markets can increase their probability of success. In markets today we are not dealing with different types of people, but with differences in people's values. Demographic and nondemographic data is important to making decisions on store type. Socio-economic analysis of data is important:

- Income
- Occupation
- Education

Segmentation Index, analysis of buying behavior must be made. All of these aid in understanding and positioning retail type selection.

The retailer selects his price strategy through the combination of services offered to shoppers. The greater the number of services, the higher the price; conversely, the fewer the services, the lower the price.

The other basic dimension that innovators are using to attract particular segments of shoppers is product

Exhibit B.

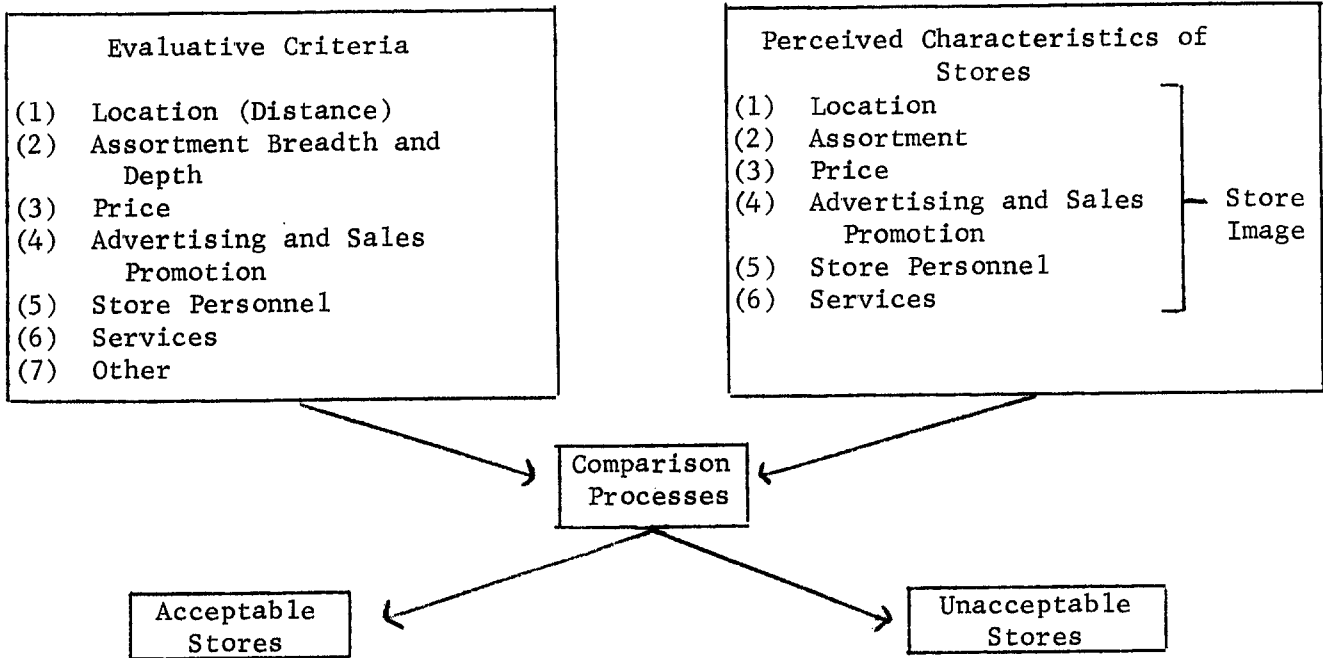


Diagram illustrates store-choice processes as presented by James Engel's text on Consumer Behavior, Holt, Rinehart and Winston, Chicago, 1973.

Exhibit C.

GENERAL CHARACTERISTICS OF THE COMPANY

	Extremely	Quite	Slightly	Neither One Nor The Other	Slightly	Quite	Extremely	
well known generally	_____	_____	_____	_____	_____	_____	_____	unknown generally
small number of stores operated by company	_____	_____	_____	_____	_____	_____	_____	large number of stores operated by company
long time in community	_____	_____	_____	_____	_____	_____	_____	short time in community
PHYSICAL CHARACTERISTICS OF THE STORE								
dirty	_____	_____	_____	_____	_____	_____	_____	clean
unattractive decor	_____	_____	_____	_____	_____	_____	_____	attractive decor
easy to find items you want	_____	_____	_____	_____	_____	_____	_____	difficult to find items you want
easy to move through store	_____	_____	_____	_____	_____	_____	_____	difficult to move through store
fast checkout	_____	_____	_____	_____	_____	_____	_____	slow checkout
CONVENIENCE OF REACHING THE STORE FROM YOUR LOCATION								
near by	_____	_____	_____	_____	_____	_____	_____	distant
short time required to reach store	_____	_____	_____	_____	_____	_____	_____	long time required to reach store
difficult drive	_____	_____	_____	_____	_____	_____	_____	easy drive
difficult to find parking place	_____	_____	_____	_____	_____	_____	_____	easy to find parking place
convenient to other stores I shop	_____	_____	_____	_____	_____	_____	_____	inconvenient to other stores I shop
PRODUCTS OFFERED								
wide selection of different kinds of products	_____	_____	_____	_____	_____	_____	_____	limited selection of different kinds of products
fully stocked	_____	_____	_____	_____	_____	_____	_____	understocked
undependable products	_____	_____	_____	_____	_____	_____	_____	dependable products
high quality	_____	_____	_____	_____	_____	_____	_____	low quality
numerous brands	_____	_____	_____	_____	_____	_____	_____	few brands
unknown brands	_____	_____	_____	_____	_____	_____	_____	well known brands
PRICES CHANGED BY THE STORE								
low compared to other stores	_____	_____	_____	_____	_____	_____	_____	high compared to other stores
low values for money spent	_____	_____	_____	_____	_____	_____	_____	high values for money spent
large number of items specially priced	_____	_____	_____	_____	_____	_____	_____	small number of items specially priced
STORE PERSONNEL								
courteous	_____	_____	_____	_____	_____	_____	_____	discourteous
cold	_____	_____	_____	_____	_____	_____	_____	friendly
unhelpful	_____	_____	_____	_____	_____	_____	_____	helpful
adequate number	_____	_____	_____	_____	_____	_____	_____	inadequate number
ADVERTISING BY THE STORE								
uninformative	_____	_____	_____	_____	_____	_____	_____	informative
unhelpful in planning purchases	_____	_____	_____	_____	_____	_____	_____	helpful in planning purchases
appealing	_____	_____	_____	_____	_____	_____	_____	unappealing
believable	_____	_____	_____	_____	_____	_____	_____	misleading
frequently seen by you	_____	_____	_____	_____	_____	_____	_____	infrequently seen by you
YOUR FRIENDS AND THE STORE								
unknown to your friends	_____	_____	_____	_____	_____	_____	_____	well known to your friends
well liked by your friends	_____	_____	_____	_____	_____	_____	_____	disliked by your friends
poorly recommended by your friends	_____	_____	_____	_____	_____	_____	_____	well recommended by your friends
numerous friends shop there	_____	_____	_____	_____	_____	_____	_____	few friends shop there

SEMANTIC DIFFERENTIAL FOR PATRONAGE RESEARCH: GENERAL CHARACTERISTICS OF THE COMPANY. Robert F. Kelly and Ronald Stephenson, "The Semantic Differential: An Information Source for Designing Retail Patronage Appeals," *J. Marketing*, vol. 31, p. 45 (Oct. 1967). Reprinted by permission of the publisher.

assortment and an associated number of product lines. A narrow product assortment might be as few as 2,000 items from three basic product lines, as contrasted with a broad assortment of 20,000 items from fifteen product lines.

When the price and product assortment dimensions are joined in a matrix, the basic strategies that innovators are following can be more clearly seen. In the center is the supermarket, the dominant grocery institution. Surrounding it are the four primary challengers who are attacking with distinctly different approaches to satisfy shoppers' demands. These challengers are the discount store, the combination store, the hypermarket and convenience stores and superettes.

Executives of conventional supermarket chains are responsible for deciding over the long run how best to remodel and develop their future store operating concept to meet the assault of innovators who have segmented the market by appealing to shoppers preferring lower prices, greater assortment, or more convenience. This task is essentially one of deciding in what box or boxes of the decision-making matrix the firm wishes to be in order to more closely satisfy the needs of certain groups of shoppers.

The decision as to which basic pricing strategy to follow requires a careful analysis of several factors.

- Are your store locations more accessible to larger numbers of shoppers than those of your principal competitors?

- Can your stores efficiently handle increased volume of from 20-100 percent so that the average cost of doing business will appreciably decrease?

- Can your stores handle increased volume of from 20-100 percent without excessive customer inconvenience?

- Are your stores larger than those of your principal competitors so that you can have additional departments?

- Is your management truly aggressive and prepared emotionally for the possibility of conflict with competitors?

- Is your organization financially capable of withstanding a prolonged price war?

- Will your chains' actions be more or less ignored because its share of the market is relatively small?

- Do your principal competitors have middle-sized stores that are rather run down and poorly merchandised?

- Are your primary competitors unlikely to take harsh retaliatory measures to counter a strategic move on your part?

These are all questions that help determine discount price strategy.

Using one or more of the methods of measuring store image discussed above, and/or newer approaches such as the Fishbein model and nonmetric multidimensional scaling, the retailer needs to determine.

1. The specific evaluative criteria that consumers use in selecting the retailer's general type of store.

2. The relative importance of these evaluative criteria.

3. How the retailer's store is evaluated on each of these criteria.

4. How the ratings of the retailer's store compare with consumers' ratings of their "ideal" store.

5. For consumers that do not patronize or are infrequent patrons of the retailer's store, how the ratings of the retailer's store compare with ratings of the store the consumer patronizes regularly.

I believe that company policies today must be built on the base that customer needs and wants are the starting points for all efforts.

I believe the retailers should practice person-to-person education.

I believe retail forms should establish consumer dialogues and advisory boards to keep in touch with the consumer and his concerns.

I believe Don Perkins, Chairman of Jewel Companies, is right in saying the future of retailing belongs to those who perform as the buying agent for consumers.

Retailers must provide for positive sincere communication and education for the consumer.

Information Gathering Techniques Useful for Determining Store Type

Consumer Advisory Groups
Employee Advisory Groups and
Individual Conferences
Focus Groups
Questionnaires, whether they are
mail, telephone, personal in-
house/in-store.

People enjoy giving advice. Much of the work I do is through mail

questionnaire work. We get returns of up to 65%. Unfortunately we need more time to do this subject justice, but we will have a discussion period this morning. Development of strong marketing information and analysis centers by retailers is essential.

To make store type decisions we have to access social trends--we have to keep up to knowledge explosion. We have to use the services our industry provides us.

Aids Like:

Progressive Grocer Produce Performance Examination published in July of each year now gives a heavy user box score for each family group based on age of shoppers and family, marital status, ethnic group, household size, occupation, education, income and geographic regions. This is important to know.

Studies on ethnic food likes and dislikes, and Working Women Vs. Non-working Women Shopping Behavior, Use the Super Market Institute's Information Service--to mention just a few.

We have to be versatile to offer more than one store prototype. If the prototype doesn't work, we have to be flexible enough to change prototype. Jewel does a great job in having many prototype offerings and has flexibility to change one type to another. New examples of this are Jewel's new Budget Stores.

Remember:

- Stress communications and communicate with the consumer.
- Get your Marketing Information Systems in order and working for you.

- Don't let future shock catch ya!
Keep abreast of what is going on.

- Interrelate your data--build
models--trace images and attitudes and
adjust accordingly.

- Be flexible and adaptable.

- Use formal and informal market
research into consumer behavior and
attitudes to support formal and tradi-
tional site location research data.

Today Marketing Position is Important

Marketing positioning involves
identifying target marketing segments
and developing a superior offer to
these segments relative to competition.

Investigate your competition:

- Position the store (what makes
your store different from other
stores?)

- Set the image.

- Adjust the mix.

- Merchandise to your selected
segment.